

## Message Text

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PAGE 01 STATE 085785  
ORIGIN EB-08

INFO OCT-01 AF-10 ISO-00 L-03 AID-05 TRSE-00 COME-00  
CIAE-00 DODE-00 SP-02 IO-13 NSCE-00 OMB-01 INR-10  
INRE-00 STR-07 SS-15 SSO-00 /075 R

DRAFTED BY EB/IFD/OIA:W G BLACK:ME  
APPROVED BY EB:J L KATZ  
EB/IFD/OIA:M P BOERNER  
EB/OT/GCP:S LYNN:AF/WBEDMONDSON  
L/AF:N ELY  
AF/E:R POST  
AF/EPS:C CUNDIFF  
AID/AFR:H NORTH  
TREASURY:H SHAPIRO (DRAFT)  
COMMERCE:J SEVER (SUBS)

-----092572 040151Z /14

O R 040126Z APR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY ADDIS ABABA IMMEDIATE  
INFO AMEMBASSY ABIDJAN

C O N F I D E N T I A L STATE 085785

E.O. 11652: GDS

TAGS: EINV, EAID

SUBJECT: IDA LOAN--EXPROPRIATION PROBLEMS

REF: ADDIS ABABA 1398

1. DURING WEEK OF MARCH 22 DEPARTMENT AND INTERAGENCY  
GROUP ON EXPROPRIATION REACHED USG POSITION ON UPCOMING  
IDA GRAIN STORAGE LOAN TO ETHIOPIA SCHEDULED FOR IDA BOARD  
CONSIDERATION APRIL 4. US EXECUTIVE DIRECTOR WILL ABSTAIN  
AND WILL EXPLAIN REASONS FOR DOING SO ARE LINKED TO OUR  
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CONCERN OVER EXPROPRIATION.

2. REVIEW OF EPMG ACTIONS TO RESOLVE OUTSTANDING EXPRO-  
PRIATION CASES CENTERED ON RECENT LETTER FROM COMPENSATION  
COMMISSION TO KALSEC, IN WHICH COMMISSION ASKED FOR DE-  
TAILED INFORMATION DOCUMENTING KALSEC'S CLAIM. MAJOR  
CONCERNS OF THE GROUP WERE THAT ONLY ONE INVESTOR HAS BEEN

CONTACTED ALTHOUGH IT HAS BEEN ABOUT THREE YEARS SINCE NATIONALIZATIONS OCCURRED. AFTER FURTHER CONSULTATION THERE WAS A DECISION THAT USG SHOULD ABSTAIN AND THAT IN THE ABSENCE OF "ACTIVE NEGOTIATIONS WITH SIGNIFICANT PROGRESS" TOWARDS SETTLEMENT OF OUTSTANDING CASES, USG WILL VOTE NO RPT NO ON FUTURE INTERNATIONAL DEVELOPMENT LENDING INSTITUTIONS (IDL) LOANS. DECISION WAS MADE TO

MAKE THIS POSITION CLEAR IN BOTH IBRD AND TO EPMG IN ADDIS. IT WAS ALSO DECIDED THAT EXISTING BILATERAL ASSISTANCE PROJECTS (PULSE DIVERSIFICATION, UPPER DIDESSA RURAL DEVELOPMENT, INTEGRATED FAMILY LIFE EDUCATION) COULD CONTINUE FOR THE MOMENT, BUT STATUS OF EXPROPRIATION CASES WILL BE MONITORED CLOSELY. SIGNATURE OF REMAINING AID PROJECTS (SOUTHERN GEMU GOFA PHASE II, MICRO REGIONAL RURAL DEVELOPMENT, POPULATION EDUCATION AND TRAINING, INSTITUTE OF MANAGEMENT AND TRAINING, AND NON-FORMAL EDUCATION) WILL NOT BE AUTHORIZED UNTIL ACTIVE NEGOTIATIONS WITH SIGNIFICANT PROGRESS TOWARD RESOLUTION OF OUTSTANDING EXPROPRIATION CLAIMS OCCURS. INTERAGENCY GROUP WILL EXAMINE EXPROPRIATION SITUATION WHEN PENDING PROJECTS FINISH WASHINGTON PROCESSING TO DETERMINE IF THESE CRITERIA ARE BEING MET. AID'S DOLS 10 MILLION AGRICULTURAL SECTOR SUPPORT GRANT, PART OF A JOINT AID/IBRD PROJECT, WILL BE DIRECTLY TIED TO US VOTE IN WORLD BANK AT TIME PROJECT IS SUBMITTED TO BANK EXECUTIVE DIRECTORS, CONFIDENTIAL

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PERHAPS AS EARLY AS JUNE 1978. USG WILL ALSO URGE IBRD TO CARRY OUT PLANS TO MAKE PAYMENT OF COMPENSATION TO EXPROPRIATED INVESTORS A MAJOR FACTOR IN FUTURE LOANS TO ETHIOPIA (REFTEL). USG E.D. WILL CONTACT OTHER COUNTRY E.D.'S TO THIS END.

3. IN PRESENTING USG DECISION ON UPCOMING LOANS TO EPMG EMBASSY SHOULD DRAW ON FOLLOWING TALKING POINTS.

-- USG WILL ABSTAIN ON IDA LOAN ON APRIL 4 BECAUSE OF OUR SERIOUS CONCERN REGARDING COMPENSATION TO U.S. INVESTORS WHOSE PROPERTIES WERE NATIONALIZED BEGINNING IN 1975.

-- SINCE OUR LAST AFDF ABSTENTION IN OCTOBER AND THE DEMARCHE WE MADE AT THAT TIME, THE COMPENSATION COMMISSION HAS RESPONDED ONLY TO THE CLAIM OF KALAMAZOO SPICE EXTRACTION COMPANY (KALSEC) BY DEMANDING ADDITIONAL DETAILED INFORMATION. THIS SUGGESTS THAT THE COMPENSATION COMMISSION IS IN THE PROCESS OF EXAMINING CLAIMS, BUT WE HAVE NO INDICATION THAT IT NEAR TO REACHING A SETTLEMENT ON ANY OF THE EXPROPRIATION CASES.

-- FURTHER, WE HAVE LEARNED THAT THE AMERICAN FIRM SINGER SEWING MACHINE HAS RECENTLY BEEN NATIONALIZED AND THAT IT HAS BEEN DECLARED INELIGIBLE FOR COMPENSATION. SINCE COMPENSATION IS REQUIRED UNDER INTERNATIONAL LAW FOR EXPROPRIATIONS, AND SINCE THE EPMG APPARENTLY HAS DECIDED THAT IT WILL NOT COMPENSATE SINGER FOR REASONS THAT ARE UNCLEAR TO US, WE WOULD APPRECIATE A FULL EXPLANATION, INCLUDING A STATEMENT OF ANY EPMG COUNTERCLAIMS. FOR SIMILAR REASONS WE ARE ALSO CONCERNED ABOUT THE EPMG REFUSAL TO ACCEPT THE MOSVOLD CLAIM.

-- AS WE HAVE MADE CLEAR IN PREVIOUS CONVERSATIONS IN CONNECTION WITH THESE EXPROPRIATION CASES, U.S. LAW REQUIRES THAT THE USG MUST VOTE AGAINST LOANS BY INTERNATIONAL FINANCIAL INSTITUTIONS IF IT BELIEVES THAT APPRO-  
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PRIATE STEPS TO PROVIDE COMPENSATION ARE NOT BEING TAKEN. IN ADDITION, U.S. LAW REQUIRES THAT BILATERAL ASSISTANCE BE SUSPENDED AND THAT GSP STATUS BE WITHDRAWN OR SUSPENDED IF APPROPRIATE STEPS ARE NOT BEING TAKEN TO RESOLVE OUTSTANDING CLAIMS.

-- WE ARE NOT VOTING AGAINST THIS LOAN, BUT WE WILL DO SO ON THE NEXT IDLI LOAN IF ACTIVE NEGOTIATIONS WITH SIGNIFICANT PROGRESS ARE NOT UNDERWAY BY THAT TIME.

-- WE LOOK TO YOU TO IMPRESS UPON THE COMPENSATION COMMISSION THE NECESSITY OF PROMPT ACTION IN THESE CASES.

4. INSTRUCTIONS ON HUMAN RIGHTS FOLLOWS BY SEPTEL. CHRISTOPHER

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NNN

## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, LOANS  
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**Draft Date:** 04 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014